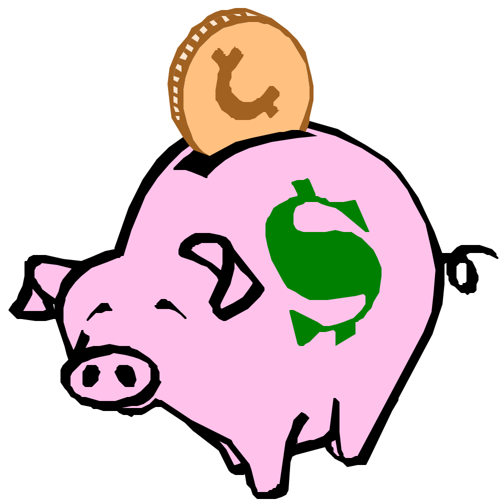
Indiana Department of Financial Institutions

Pay Yourself First



Take Home Guide

Building: Knowledge, Security, and Confidence

FINANCIAL EDUCATION CURRICULUM

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Money Smart

The *Money Smart* curriculum is brought to you by the Indiana Department of Financial Institutions/Federal Deposit Insurance Corporation (FDIC). The *Money Smart* program includes the following courses:

- **Your Rights**
  your rights as a consumer
- **Bank On It**
  an introduction to bank services
- **Check It Out**
  how to choose and keep a checking account
- **Money Matters**
  how to keep track of your money
- **Pay Yourself First**
  why you should save, save, save
- **Borrowing Basics**
  an introduction to credit
- **To Your Credit**
  how your credit history will affect your credit future
- **Charge It Right**
  how to make a credit card work for you
- **Your Own Home**
  what homeownership is all about
- **Loan to Own**
  know what you're borrowing before you buy

Pay Yourself First

Welcome to Pay Yourself First! Saving money is an important part of building your financial future. This course will give you some tips to help you get started. It will also show you how your money can grow when you save.

Paying yourself first means that when you get a paycheck, you first put away the money you want to save for your goals. There are many reasons to pay yourself first. Some of the benefits of paying yourself first include:

- You can learn to manage your money better.
- You can increase your savings.
- You can improve your standard of living.

See the Indiana Department of Financial Institutions' Web Sites on Banking and Investments at: http://www.dfi.state.in.us/conscredit/CIbanking.htm. Savings Basics at:: http://www.dfi.state.in.us/conscredit/savings_basics.htm.

Pay Yourself First Worksheet

My savings goals:

I can use these tips to save for my goals:

Pay Yourself First Plan

What will I do now to save for my goals?

What will I do by the end of the month to save for my goals?

What will I do by the end of the year to save for my goals?

Decision Factors

How much do you want to accumulate?

How long can you leave your money invested?

How do you feel about risking your money?

Savings Tips

1. Consider need vs. wants. Think about the items you purchase on a regular basis. These add up. Where can you save?

    - Do you eat out at restaurants a lot?

    - Can you cut back on daily expenses, such as coffee, candy, soda, or cigarettes?

    - Do you have services you do not really need, such as a cell phone, call waiting?

2. Direct deposit or automatic transfer to savings.

    - When you get paid, put a portion in savings through direct deposit or automatic transfer.

    - If you have a checking account, you can sign up to have money moved into your savings account every month. What you don't see you don't miss?

    - U. S. savings bonds can be purchased through payroll deduction.

3. Pay your bills on time. This saves the added expense of:

    - Late fees
    - Extra finance charges
    - Disconnection fees for phone, electricity, or other services
    - Fees to reestablish connection if your service is disconnected
    - The cost of eviction
    - Repossession
    - Bill collectors

4. If you use check-cashing stores regularly, you might pay $3-$5 for each check you cash. This can easily add up to several hundred dollars in fees every year. Consider opening a checking account at a bank or credit union.

5. If you get a raise or bonus from your employer, save that extra money.

6. If you have paid off a loan, keep making the monthly payments to yourself. You can save or invest the money for your future goals.

7. If you receive cash as a gift, save at least part of it.

8. Avoid debt that does not help build long-term financial security. For example avoid borrowing money for things that do not provide financial benefits or that do not last as long as the loan. Examples include: a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:

    - Paying for college education (for you or your child)
    - Buying or remodeling a house
    - Buying a car to get to work

9. Save your change at the end of the day. Take that change and deposit it into the bank (every week or month).

10. When you get a tax refund, save as much of it as possible.

11. If your work offers a retirement plan, such as a 401(k) or 403(b) plan that deducts money from your paycheck, join it! Most employers will match up to $.50 on each dollar you contribute. The matched amount is free money!

12. If you decide to make investments, do your homework. Know what you are investing in. Get professional advice if you need it. You should have enough money in savings to pay for 2-6 months of expenses in case of emergency. Make sure you have an emergency savings account before considering investing in non-deposit-products.

13. If you own stocks, reinvest the dividends to purchase more stocks. Some companies offer an easy way to do this called a Dividend Reinvestment Program (DRIP). This process increases your investment more quickly, similar to compounding.

14. If you are interested in learning about investing, you might want to consider an investment club. The National Association of Investment Clubs (NAIC) is the corporation that supports this investment style. Investment clubs are groups of people who work together to understand the process and value of investing even small amount of money (as little as $5-$10).

Interest Compounding Exercise

Annual Compounding	Daily Compounding
$1,000 @ 5% compounded annually $1,000 at the end of the first day.	1,000 @ 5% compounded daily $1,000.14 at the end of the first day. **On the second day added the interest earned and compounded the total amount.** $1,000.14 @ 5% daily
$1,050.00 (End of Year 1)	**$1,051.27 (End of Year 1)**

With annual compounding, at the end of the first year you would have $1,050. With daily compounding, at the end of the first day you would have earned $0.14. The next day, interest is calculated on the entire amount of your original deposit of $1,000 PLUS the previously earned interest of $0.14. This table shows that the more frequently interest compounds, the faster it grows.

Compound Interest

This chart further demonstrates the power of compound interest!

	5 years	10 years
No Interest	$1,000	$1,000
Annual Compounding at 5%	$1,276	$1,629
Monthly Compounding at 5%	$1,283	$1,647
Daily Compounding at 5%	$1,276	$1,629

Saving $1 a Day

	No Interest	5% Daily Compounding
Year 1	$ 365	$ 374
Year 5	$ 1,825	$ 2,073
Year 10	$ 3,650	$ 4,735
Year 30	$10,950	$25,413

Saving $5 a day

	No Interest	5% Daily Compounding
Year 1	$ 1,825	$ 1,871
Year 5	$ 9,125	$10,366
Year 10	$18,250	$23,676
Year 30	$54,750	$127,065

Special Accounts: Frequently Asked Questions

What is an Individual Development account?

Individual Development Accounts (IDAs) are matched savings accounts. When an account is matched, it means another organization, such as a foundation, corporation, or government entity agrees to add money to your account.

Why would an organization do that?

Organizations will match the money people save in IDAs to encourage low-income families to save money on a regular basis. IDAs are based on the concept that asset building is necessary to break the cycle of poverty and to help families become financially independent. Asset building refers to people purchasing or holding items that will help them financially in the future. Organizations involved in IDA programs want to help low-income families achieve self-sufficiency.

What can I use IDAs for?

If you open an IDA, the money must be used for a special purpose. Allowable purposes include:

- Job training
- College education
- Small business start-up
- Downpayment for a home

There are a few programs that allow you to save for other purposes. However, most programs will offer only accounts for the purposes listed above because these are likely to increase your future financial security.

How do IDAs work?

Each IDA program is a little different, so you must ask the person who runs the program in your area about the details. However, all IDA programs have many similar features.

- IDA programs are generally run by local community-based organizations. They help to recruit eligible people into the program and usually organize the required training sessions for the participants.
- Most programs require that the participants take a certain number of financial education courses. Community group teachers or volunteer bankers might teach these classes.
- You might be required to take additional classes, depending on what you decide to save for. For example, if you are saving for a downpayment on a house, you will usually have to take homeownership classes.
- If you are saving money to start a business, you will usually take classes to help you understand business concepts and develop a business plan.
- If you are in an IDA program, you must deposit some money into a special savings account at a participating bank. You will need to make a deposit at lease once a month for the entire length of the program. A program might last 12-36 months.
- Your reward for saving is the education you receive throughout the program and the money that gets added into your account at the end of the program. When you have completed the program, the organization will help you with the next steps.

How can I open an IDA?

The concept of IDAs is still fairly new, although it is becoming more popular. If you are interested, you can:

- Visit the Indiana Department of Financial Institutions' Website at: http://www.dfi.state.in.us/conscredit/individual_development_accounts.htm .

- Check the following website to search for programs by state: http://www.idanetwork.org/index.php?section=state&page=state_pages.html.

  Indiana:

  http://www.idanetwork.org/index.php?section=state&page=state.php&state=IN.

- Ask local community action agencies, other community groups, and bankers if they know of any programs in the state.

What is an Electronic Transfer Account (ETA)?

An ETA is a low-cost savings account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit. The ETA is offered only through federally-insured banks, thrifts, and credit unions.

Who is qualified to open an ETA?

All federal payment recipients who receive any of the following can take advantage of an ETA:

- Social Security
- Supplemental Security Income (SSI)
- Veterans benefits
- Federal employee salary or retirement
- Railroad retirement payments

How does an ETA work?

The ETA is a voluntary program for both the consumer and the financial institution. Banks, thrifts, and credit unions that partner with the U.S. Treasury to provide the ETA offer an account that features:

- A monthly fee of $3 or less
- At least four cash withdrawals and four balance inquiries per month at no additional charge
- No minimum balance, except as required by state law
- Online point-of-sale transactions in the institution's network, for example U. S. Post Office and grocery stores
- Monthly statements
- The same consumer protections as other account holders

Some banks offer more or better services for their ETA program than these minimum requirements. For example, some financial institutions might give the consumer the option to deposit other types of payments into the ETA account. Some institutions may also pay interest.

What is an Electronic Transfer Account (ETA)?

Look for participating banks in your area. Access the Internet and check the following websites: http://www.dfi.state.in.us/conscredit/electronic_transfer_account.htm and http://www.eta-find.gov to find banks in your area. Participating banks and credit unions cannot refuse to open an account regardless of your credit history unless you have previously held an ETA that was closed because of fraud.

What is a Section 529 Plan?

A Section 529 Plan is a prepaid savings program for higher education. Any person can set up a plan for a child pursuing higher education. The money grows tax-deferred and is taxed at the child's rate when withdrawn for education purposes. The donor may have state income tax breaks.

The savings can be applied to any college in any state. Many plans can be started with only $25 a month. More information about state tuition programs can be found at: http://www.dfi.state.in.us/conscredit/section_529_plan.htm, http://jbh.com/collegefunds/index.asp, and http://www.savingforcollege.com/

Glossary

Annual Percentage Yield (APY) ¾ APY is the amount of interest you will earn on a yearly basis expressed as a percentage. The APY includes the effect of compounding. When comparing different accounts, you should compare the APYs of the savings products, not the interest rates. The higher the APY, the higher the interest you will receive.

Bonds ¾ When you purchase a bond, you are essentially loaning money to a corporation or to the government for a certain period of time, called a term. The bond certificate promises the corporation or government will repay you on a specific date with a fixed rate of interest.

Certificates of Deposit (CDs) ¾ CDs are accounts where you leave your money for a set period of time, such as six months, on, two, or five years, called a term. You usually earn a higher rate of interest than in a regular savings account. The longer you promise to keep your money in a CD, the higher the interest rate. Be sure to think about y our cash needs before opening a CD because you will pay a penalty if you withdraw your money early.

Club Account ¾ A club account is a type of savings account you "join" to save money for a special reason, such as holidays or family vacations. Club accounts usually require you to make regular deposits.

Diversification ¾ Diversification means you spread the risk of loss in a variety of savings and investment options. It is the concept of "don't put all your eggs in one basket."

401(k) and 403(b) Retirement Plans ¾ 401(k) plans are retirement plans that some private corporations offer their employees. a 403(b) plan is similar to a 401(k), but is offered to employees of some nonprofit organizations.

In both types of plans, you choose to deduct part of your paycheck and place it into the investment strategy you design. The plans allow you to choose different types of investments, depending on how much risk you want to take. The money you place into the account lowers your taxable income. The employer usually matches a portion of your contribution, sometimes up to 50 percent. The funds grow tax-free until the money is withdrawn during retirement.

Equity ¾ When referring to a home, equity is the difference between how much the house is worth and how much you owe on the house.

Investment ¾ A savings option purchased for future income or financial benefit.

Individual Retirement Account (IRA) ¾ An IRA is a retirement account that lets you save and invest money tax-free until you withdraw it when you retire. You can contribute up to $2,000 a year. There are different types of IRAs including traditional and Roth IRAs.

Liquidity ¾ Liquidity refers to the ease with which an asset (a thing of value) can be turned into cash without losing its value. For example, cash is the most liquid; a certificate of deposit (CD) may be liquidated, but you pay an early withdrawal penalty; a house might be your least liquid asset because it takes time to sell.

Money Market Accounts ¾ A money market account is one that usually pays a higher rate of interest than a regular savings account. Money market accounts usually require a higher minimum balance to ear interest, but they also pay higher rates for higher balances.

Mutual Funds ¾ A mutual fund is a professionally managed collection of money from a group of investors. A mutual fund manager invests your money in some combination of various stocks, bonds, and other products. The fund manager determines the best time to buy and sell the products in the fund. By combining your resources with other investors in a mutual fund, you can diversify even a small investment, which should reduce risk.

Passbook Savings Accounts ¾ Passbook savings are similar to statement savings accounts. The difference is the record keeping. Instead of receiving a quarterly statement, all transactions are recorded in a passbook. You have to take your passbook to the bank when making transactions. The teller will update your account information when you go to the bank.

Risk versus Return ¾ This means that the more risk you take in your investment, the higher the expected return on that investment. However, there is also a higher risk that you might lose the entire amount you invested.

Statement Savings Account ¾ A statement savings account is an account that earns interest. If you have a statement savings account, you will usually receive a quarterly statement that lists all of your transactions (withdrawals, deposits, fees, and interest earned).

U.S. Treasury Securities ¾ U.S. Treasury securities are debt instrument. When you purchase a Treasury security, you are loaning money to the government. Treasury securities are backed by the full faith and credit of the U.S. government which means the government guarantees interest and principal payments will be paid on time. Treasury securities include:

- Savings bonds, which can earn interest for up to 30 years, but can be cashed after 6 months.
- Treasury bills, which mature in one year or less from their issue date.
- Treasury notes, which mature in more than a year, but not more than 10 years.
- Treasury bonds, which mature in more than 10 years from the issue date.

Treasury bills, notes, and bonds are transferable, which means you can buy or sell them in the securities market. You can buy Treasury bills, notes, and bonds for a minimum of $1,000.

For Further Information

Indiana Department of Financial Institutions

402 West Washington Street
Indianapolis, Indiana 46204-2759
(317) 232-3955
Email: dkaye@dfi.state.in.us
Web Site: http://www.dfi.state.in.us Click Consumer Credit and click Credit Information.
Banking and Investments at: http://www.dfi.state.in.us/conscredit/CIbanking.htm.
Savings Basics at:: http://www.dfi.state.in.us/conscredit/savings_basics.htm.

Federal Deposit Insurance Corporation (FDIC)
Division of Compliance and Consumer Affairs
550 17th Street, NW
Washington, DC 20429
1-877-275-3342
Email: consumer@fdic.gov
Web Site: http://www.fdic.gov The FDIC provides information about the nation's banking system.

www.ssa.gov
This is the Social Security Administration's website. You can find out about Social Security benefits at this site. You can also call 1-800-772-1213 to request a copy of your Social Security Statement.

www.dallasfed.org
Building Wealth: A Beginner's Guide to securing your Financial Future.

www.sec.gov/oiea1.htm
The U.S. Securities and Exchange Commission's Office of Investor Education and Assistance provides information about investing. You can call 1-800-SEC-0330.

www.firstgov.gov
www.workers.gov
www.consumer.gov
These websites provide access to all online U. S. Federal Government resources.

www.pueblo.gsa.gov/cic_text/money/bankbasic/bankbasic.pdf
This is a link to *Bankruptcy Basics*, Public Information Series, Bankruptcy Division, Administrative Office of the United States Courts, August 1998. This Adobe publication provides general information regarding the different types of bankruptcy cases.

www.better-investing.org
The National Association of Investors Corporation provides investment information for individuals and clubs. You can call 1-877-275-6242.

Course Evaluation – Pay Yourself First

Instructor:__________________________________**Date:**____________________

Thank you for your participation in this course. Your responses will help us improve the training for future participants. Please circle the number that shows how much you agree with each statement. Then answer the questions at the bottom of this form. If you have any questions, please feel free to ask your instructor.

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The course was interesting and kept my attention.	1	2	3	4
2. The examples in the course were clear and helpful.	1	2	3	4
3. The activities in the course helped me understand the information.	1	2	3	4
4. The slides were clear and easy to follow.	1	2	3	4
5. The take-home materials were easy to read and useful to me.	1	2	3	4
6. The instructor presented the information clearly and understandably.	1	2	3	4
7. The information / skill taught in the course is useful to me	1	2	3	4
8. I am confident that I can use the information / skill on my own.	1	2	3	4
9. I am satisfied with what I learned from this course.	1	2	3	4

What was the most helpful part of this course?

What was the least helpful part of this course?

Would you recommend this course to others?

Any comments or suggestions?

What Do You Know – Pay Yourself First

Instructor:_______________________________________ **Date:**_______________________

This form will allow you and the instructor to see what you know about saving both before and after the class. Read each statement below. Please circle the number that shows how much you agree with each statement.

	Before-the-Course				After-the-Course			
I know:	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Ways to save money.	1	2	3	4	1	2	3	4
2. How money can grow when you save.	1	2	3	4	1	2	3	4
3. The difference between types of savings and investment accounts.	1	2	3	4	1	2	3	4

NOTES

NOTES

Brochures

The following are Brochures created by the Indiana Department of Financial Intuitions on subjects covered in this course.

When it comes to savings, interest is what it's all about. Interest is what a borrower pays a lender for the use of the lender's money.

When you deposit money in a savings account, a money market account, an interest-bearing checking account or a certificate of deposit (CD), you're lending that financial institution your money. The institution uses that money to make loans — essentially, borrowing money from you and paying you interest for the right to use your money to lend to someone else.

Of course, the institution then charges that loan customer an even higher interest rate to more than recover the interest it's paying you. Interest is calculated as a percentage of the amount of the loan.
Interest can get complicated, especially when the terms "rate" and "yield" are involved.

You may see a $10,000 CD with a 5-percent annual interest rate (APR), but right next to it is the annual percentage yield (APY) number and it's higher.

The difference between rate and yield is determined by how frequently interest is paid, and how it is paid.

Rate is the nominal, or stated, interest rate on the investment. If you have a CD with a 5-percent nominal rate, then interest is calculated by multiplying 5 percent by the amount invested and by the fraction of a year the money is invested.
Let's say interest pays annually. A $10,000 investment will earn $500 in interest. ($10,000 x 5 percent x 1 year.) When an investment pays interest annually, its rate and its yield are the same.

The more frequently interest is paid, the higher the yield. That's because the interest payment is credited to the CD and it starts earning interest along with the invested principal.

If the 5 percent CD paid interest semi-annually, the six-month interest payment would be $250, ($10,000 x 5 percent x .5 years.)

The $250 payment starts earning interest and earns $6.25 in interest during the next six months, ($250 x 5 percent x .5 years.) That's what compounding interest is all about.

The first CD earned $500 in interest after a year and the second CD earned $506.25 in interest. The rate and yield on the first CD is 5 percent. The rate on the second CD is 5 percent, but its yield (APY) is 5.06 percent. If interest was paid daily, the rate would be 5 percent but the yield (APY) would be 5.13 percent.

These yield computations assume that the interest is reinvested in the CD at the CD's nominal rate.

Always shop for the best Annual Percentage Yield.

How Interest Rates are Determined

Interest rates are affected by a number of factors. The Federal Reserve, which is charged with maintaining the stability of the nation's financial system, raises or lowers short-term interest rates in an effort to maintain that stability.

The Fed regularly takes these actions in response to economic expansions and contractions that the country goes through on a fairly routine basis. Short-term rates are raised in expansions — good times — to keep the economy from building too fast and risking inflation, which is caused by too much money chasing too few goods and services. Raising rates makes it more expensive for companies and individuals to borrow money.

The Fed will lower short-term rates when the economy is contracting — slowing down. Lowering rates makes it less expensive to borrow money, the idea being that businesses and consumers will buy more products and services and speed the economy up a bit and keep the economy from sinking into a recession.

A recession happens when consumers hold on to their money and don't buy the products and services that keep companies afloat and employees employed.

When the Fed cuts short-term rates, it is cutting the rate that banks charge each other to borrow money. Those cuts are eventually passed on to businesses and consumers. The same thing happens in reverse when the Fed raises short-term rates.

Other factors affect interest rates, too, but on a more irregular basis. A crisis involving the foreign oil-producing nations, for example, could have a major economic impact that could affect interest rates.

Long-term interest rates aren't affected by economic conditions as much as short-term rates, but there is a trickle down factor and they reflect the impact eventually.

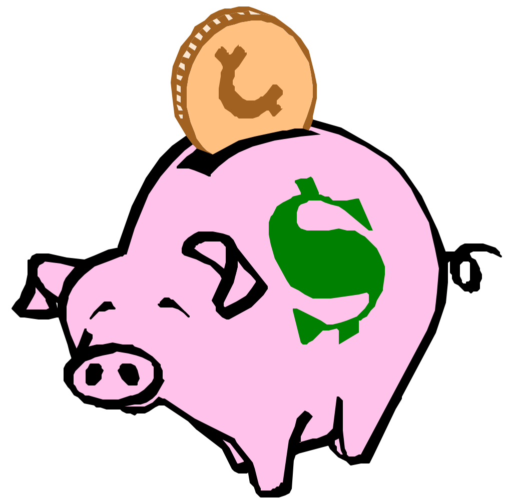
What works for you, as a saver, works against you as a borrower. When rates are high, you're earning a hefty amount of interest for your deposits, but you're going to pay a high interest rate if you need to borrow.

When rates fall, you don't get much interest on your savings, but it's a lot cheaper to borrow money.

Call our toll-free number or write to the address on the cover for a copy of any of the brochures or for further consumer credit information. You can also access information at our web site on the Internet: http://www.dfi.state.in.us, then click on Consumer Credit.

SAVINGS BASICS

Understanding Savings



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site http://www.dfi.state.in.us

Congratulations on Your Decision to Open a Bank Account!

Your money is hard earned and a precious commodity. You have decided that a bank is the safest place to store it. The Indiana Department of Financial Institutions strives to help Indiana consumers make educated decisions about managing their money.

To help you, we have developed the following questionnaire. It contains items you may want to consider when deciding which type of bank account to open and at which bank.

Before you begin shopping for a bank account, answer the following questions. It will be helpful for you to know this information when describing your needs to a customer service representative:

- **Do I wish to access my funds using checks, or do I only need access to cash occasionally?**

____

(If you would like to pay bills through the mail or want to have the freedom to pay retailers even when you don't have cash with you, you may want to consider opening a checking account.)

- **If I plan to open a checking account, about how many checks do I plan to write each month?** ____________
  (If you plan to make eight or fewer withdrawals each month using an ATM machine or writing a check, a Basic Banking account may be right for you. If you think that you will use your checks or ATM card frequently, look for an account with the most flexible usage agreement.)

- **Do I want to save some of my money for a special purpose?**
  ____
  (If so, you may want to ask about a savings account, a CD, or a Holiday or Vacation Club account.)

- **How much money am I confident that I am able to maintain in the account at all times?**__________________
  (Certain checking accounts require you to maintain a certain minimal balance at all times in order to pay lower fees for the bank's services.)

Below, make some notes about other thoughts or questions that you want to share with a customer service representative before deciding which account to open:

____
____
____

Educated consumers "shop-around" to be sure they are getting the best deal. We recommend that you call or visit at least three banks before making a decision. To be sure that you are getting all of the features that you need, answer the following questions to evaluate and compare the different accounts that you have researched:

Bank No. 1:
Name / location of bank

____
____

Is this bank close to my home or my work?

____

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

____

Do any of the employees speak my language?

____

Does this account offer the services that I need and want?

____

Does this account pay interest? At what rate?

____

What fees are associated with this account?

____

What does the bank charge for overdraft protection (see Glossary)?

____

What type of identification will I need to open this account?

____

What is the monthly service charge?

____

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

____

Is this account protected by FDIC insurance? Yes No
Notes:

____
____
____

Bank No. 2:
Name / location of bank

____
____

Is this bank close to my home or my work?

____

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

____

Do any of the employees speak my language?

____

Does this account offer the services that I need and want?

____

Does this account pay interest? At what rate?

____

What fees are associated with this account?

____

What does the bank charge for overdraft protection (see Glossary)?

____

What type of identification will I need to open this account?

____

What is the monthly service charge?

____

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

____

Is this account protected by FDIC insurance? Yes No
Notes:

____
____
____

Bank No. 3:
Name / location of bank

____
____

Is this bank close to my home or my work?

____

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

____

Do any of the employees speak my language?

____

Does this account offer the services that I need and want?

____

Does this account pay interest? At what rate?

____

What fees are associated with this account?

____

What does the bank charge for overdraft protection (see Glossary)?

____

What type of identification will I need to open this account?

____

What is the monthly service charge?

____

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

____

Is this account protected by FDIC insurance? Yes No
Notes:

GLOSSARY OF TERMS

ATM – Automated Teller Machine. Most banks have machines in its lobbies or at a location outside of the bank that allow customers to use a machine to deposit or withdraw from their account. ATMs are also commonly referred to as "bank machines." When opening an account, customers must obtain an ATM card for access to the ATM.

Basic Banking Account –Features may include a minimum initial deposit, a minimum balance, and a minimum number of withdrawal transactions to be permitted during a periodic cycle at no additional charge. The withdrawals may be by check or through the use of a proprietary ATM. Some banking institutions offer low -cost accounts with alternative features referred to by a name other than Basic Banking.

Overdraft – Overdrafts occur when customers write checks for more than the balance that exists in their checking account. This is commonly referred to as "bouncing a check." This happens when the customer miscalculates the balance in the account. This is an improper procedure, and banks usually charge a penalty for this. Additionally, the merchant you initially wrote the check out to may impose a fine as well.

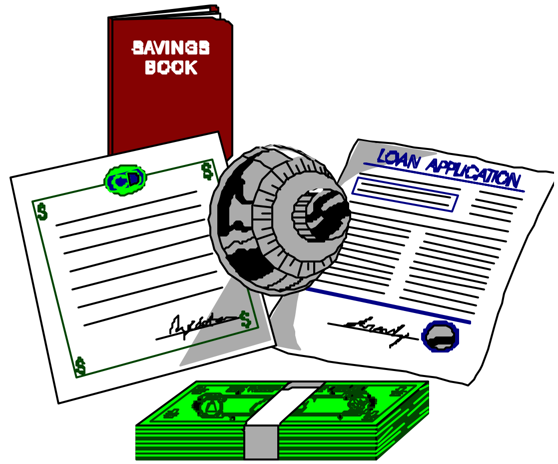
Withdrawal transaction – Any activity that involves taking money out of your account, resulting in a lower balance in your account. Writing a check and taking money from an ATM are both considered withdrawal transactions.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: http://www.dfi.state.in.us, then click on Consumer Credit.

OPENING A BANK ACCOUNT



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